

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 11, 2011
POSITION: Oppose

BILL NUMBER: SB 499
AUTHOR: B. Huff

BILL SUMMARY: The Community Redevelopment Law

Chapter 21, Statutes of 2009, shifted \$1.7 billion of redevelopment agency (RDA) tax increment revenues to the Supplemental Education Revenue Augmentation Fund (SERAF) in 2009-10 and shifted another \$350 million in 2010-11. The SERAF money goes to school districts that serve redevelopment project areas. The Department of Finance determined each RDA's proportional share of the SERAF shifts based on information reported by the RDAs to the State Controller's Office (SCO) in 2006-07. RDAs are required to pay their proportional shares by May 10 in both fiscal years.

The City of Walnut's RDA generated about \$23 million in 2006-07 gross tax increment revenue. After passthrough obligations to other local governments were paid, the Walnut RDA retained \$4 million in tax increment funds. Based on the statewide SERAF allocation formula, the Walnut RDA's 2010 SERAF obligation was \$4.8 million, of which \$1.6 million was actually paid to the SERAF.

The disparity between the net tax increment retained by the RDA and the amount they owe to the SERAF is due to the fact that the RDA apparently has an arrangement with Los Angeles County and with various special districts whereby the RDA agrees to pass through to these entities more tax increment than is required pursuant to existing statutory formulas. Since these additional passthrough obligations are not reflected in the data reported to the SCO, Finance did not know of their existence when calculating the RDA's SERAF obligation.

This bill would:

- Require that calculations of an RDA's SERAF obligations must be based on the lesser of either the property tax increment revenues allocated and paid to the RDA, or the amount of taxes actually received by the RDA pursuant to limits in the redevelopment plan.
- Make legislative findings that the provisions of this bill are declaratory of existing law.

FISCAL SUMMARY

This bill could relieve the City of Walnut RDA of the obligation to pay the unpaid 2010 balance of \$3.2 million to SERAF. Current law does not provide the state the authority to recover that unpaid balance from other RDAs by increasing their portion of the total SERAF payment. This would result in a commensurate increase in the state's Proposition 98 General Fund obligation.

COMMENTS

Finance opposes this bill for the following reason.

- This bill could result in General Fund costs not contained in the Budget Act of 2010.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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A better solution may be legislation providing the Walnut RDA the ability to discharge its unpaid SERAF obligations through a payment plan over the near term, and relieving the RDA from further penalties for failure to make complete payments on its 2010 and 2011 SERAF payment.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
0001/Major Rev	SO	Yes	-----	See Fiscal Summary				-----	0001